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ABSTRACT

This paper describes the historical development of performance contracting, discusses the first performance contracting experiment, cites reactions to performance contracting, and supplies supportive data. The contents are designed to assist the New York State Board of Regents to determine policy for the State Education Department and the New York schools. The contents include discussions of the Texarkana Project and other contracts, the barriers to letting out performance contracts in New York State, the elements of financing contracts, and the pros and cons of this educational innovation. Supportive appendixes include statements from prominent educators and other people concerned with performance contracts, descriptions of the Texarkana and other projects, discussions of the legal aspects of performance contracting, model specifications for performance contracting and evaluation criteria, financial detail, and references and bibliography. Related documents are EA 003 347, EA 003 356, EA 003 358, EA 003 391, and EA 003 380. (JF)

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PERFORMANCE CONTRACTING IN ELEMENTARY AND SECONDARY EDUCATION

A report
showing the developments on a
nationwide basis and the
implications for New York State

December 15, 1970

EA 003 387

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Division of Evaluation
Albany, New York 12224

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FOREWARD

A comprehensive report on "performance contracts" and "voucher systems" was requested by the Regents of the University of the State of New York to be presented to them prior to their September, 1970, meeting. This report is concerned with the performance contract part of the request. It is anticipated that the material presented will assist the Regents in the determination of policy to be followed by the State Education Department and the schools of New York.

Included in this paper are historical developments, a discussion of the first performance contracting experiment, reaction to performance contracting, and supporting data. The supporting data appear in appendixes and consist of statements from prominent educators and people concerned with performance contracts, a description of the Texarkana and other projects, legal aspects, model specifications for performance contracting and performance criteria, financial detail, references, and bibliography.

Alan G. Robertson, Director, Division of Evaluation, was delegated the responsibility for producing the report and, under his direct supervision, Gloria Aluise conducted the information search and prepared the first draft. Louis H. J. Welch, Office of Counsel, provided the details for the section on legal implications, while Thomas H. Calvin, Chief, Bureau of Education Finance Research, provided the fiscal materials. The initial draft materials were reviewed by Assistant Commissioner for Instructional Services, Bernard Haake, and additional writing and editing, under the supervision of David Irvine, Chief of the Bureau of School Programs Evaluation, was completed by Gerald Wohlferd, Gloria Aluise, Richard Connell, and Paul Kelliher.

WILLIAM D. FIRMAN
Assistant Commissioner for
Research and Evaluation

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HISTORY

In recent years, increasing attention has been given to the concept of accountability in education. National figures such as Leon Lessinger, Daniel Moynihan, James Coleman, and President Nixon* have given voice to the idea that educators must assume responsibility for results in terms of student learning rather than solely in the use of resources. New York State Commissioner of Education Ewald B. Nyquist has emphasized, on numerous occasions, the need for increasing the capacity of educational systems to be accountable to the publics they serve.

Performance contracting has been suggested as one means of promoting educational accountability. Performance contracting has generally been interpreted as a procedure by which a school district contracts with a private firm for certain instructional services; payment to the company is determined by the improvement in pupil achievement within a specified period of time.

The Texarkana Project

One of the most highly publicized performance contracting experiments was initiated in late 1968 in Texarkana, Arkansas. In December, 1968, three school districts submitted a preliminary proposal to the United States Office of Education (USOE) under Title VIII, Dropout Prevention Amendment of ESEA, 1965. The project proposed to engage a private contractor who would reduce certain education deficiencies of potential

*See Appendix A.

dropouts on a guaranteed performance basis. Charles Blaschke,* Manager of Education Programs for the Institute for Politics and Planning and President of Education Turnkey Systems, Inc., of Washington, D.C., assisted the schools in developing a multi-year dropout prevention project which was submitted on May 5, 1969 to USOE. It was ultimately funded in the amount of $270,000 for the 1969-70 school year.

On September 9, 1969, the boards of Arkansas District 7 and Liberty-Eylau District of Texas (hereafter referred to as Texarkana) selected Dorsett Educational Systems, Inc. from a group of 10 companies--among which were Radio Corporation of America, Quality Educational Development, International Business Machines, and McGraw-Hill--to operate "rapid learning centers" on a guaranteed performance basis.

Aspects of the Texarkana-Dorsett contract and other specifics concerning personnel, materials, students, and the learning program can be found in Appendix B, page 17.

Since the Texarkana Project began, a number of projects utilizing performance contracting have been designed throughout the United States. They exhibit variations in management, and degree of involvement of regular school personnel.

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*Blaschke and Lessinger worked together during Lessinger's period as associate commissioner at USOE. Lessinger's interest was the principle of accountability while Blaschke thought along the same lines but emphasized the notion of performance contracting.

Other Contracts

In Portland, Oregon; Ossining, New York; Washington, D.C.; and Dallas, Texas; local efforts to achieve accountability have been initiated without outside firms being contracted. In Portland, for example, Martin Luthur King Junior High is rewarding teachers on the basis of student performance. Ossining's Park School has guaranteed parents that by June, 1971, 90% of the children in the incoming kindergarten class will be reading at the nationwide average level and 70% of these will be above that level. Washington's plan to upgrade the schools in that city "opposes performance contracting to outside groups as an abdication of responsibility for educational leadership." Efforts are being made there to encourage the professional personnel of the public school system to raise the academic achievement of the children. In the Dallas Texas Independent School District proposal, teachers are allowed to compete with contractors.

Most performance contracting involves selected students in one or two subject areas. In Gary, Indiana, however, the public school system has contracted with Behavioral Research Laboratories (BRL) to operate one elementary school beginning September, 1970. The company will reorganize Banneker Elementary, receiving $800 per student annually for each student whose achievement scores are up to or above the national grade level norms in reading and arithmetic. Under the four-year contract evaluation will be undertaken after three years by an independent agency chosen by BRL and the city; the fourth year will provide a transition back to city control.

Performance contracting funds are awaited in San Diego. The United States Office of Economic Opportunity (OEO) has underwritten contracts in 18 school districts, including Bronx School District 9. Detroit awaits approval of plans submitted to USOE. Virginia has seven school districts that will contract with two or more companies.

Additional information can be found in Appendix C, page 24.

BARRIERS IN NEW YORK STATE

The Counsel to the New York State Education Department is of the opinion that school boards in New York do not presently have general authority to contract with third parties to provide instructional services in the public schools through the use of State or local funds. Exceptions are contracts for special types of instruction or educational services with other school districts, boards of cooperative educational services, private schools for the handicapped and driver education schools for behind-the-wheel instruction. School district funds may not be used by the State for the purpose of funding a contract which the State itself could legally make. However, where Federal funds only are involved, the rendering of instructional services by contract between a Federal agency and a private contractor is not prohibited by State law.

References to the relevant statutes and other details pertaining to legal aspects of performance contracting and instruction may be found in Appendix D, page 27.

EDUCATIONAL PRACTICES

Texarkana and other types of performance contracting programs are based on sound principles of learning theory and educational psychology. These programs attempt to —

1. carefully select the target population;
2. improve the learning environment through the refurnishing and redesigning of classroom units, placing the students in an atmosphere different from that in which they may have previously experienced failure;
3. provide immediate intrinsic and extrinsic rewards for improved achievement;
4. individualize instruction;
5. make available a variety of instructional materials on various skill levels;
6. involve the student in the planning of his own instruction, i.e., in the selection of the filmstrips, programs, and other teaching materials according to the teacher's diagnosis;
7. incorporate positive elements of the profit motive into the system of instruction; and
8. remove any stigma connected with participation in a remedial program.

Theoretically, there is nothing which would prevent a school system from incorporating all of these elements into an instructional program which it could operate on its own. However, it is noteworthy

that, until the present interest in performance contracting, few school systems have done so to optimum effectiveness.

ELEMENTS OF FINANCING

Information is limited on actual costs for performance contracts that have been awarded or are pending. From current literature, however, it appears that most of the districts that have implemented or are planning to implement performance contracting have utilized ESEA Title VIII (dropout prevention) funds. Because no additional monies are available under Title VIII, many school districts have turned to Title I.

At present, all performance contracting is in addition to present costs of the educational program, and full State aid per pupil is maintained throughout the project; whether there may be a saving in the future from changed staffing patterns is yet to be determined. The awarding of performance contracts on open bidding procedures has the possibility of resulting in real savings to the taxpayer. It is suggested that performance contracting should not impose further financial burden on the local taxpayer, unless the private corporation can perform better than the public schools have in the past. The taxpayer should have the privilege of deciding whether the cost-benefits of performance contracting warrant such an arrangement. See Appendix F, page 34 for additional detail.

SELECTED MATTERS TO BE RESOLVED

There are a number of matters which must be weighed in consideration of the nature and extent of permissive legislation to enable school districts of New York State to enter into instructional contracts. The final concern of any educational program must be its effect upon children. Thus, any performance contract should guarantee to the children involved an education which is at least equivalent to that available under traditional methods. Though children should not be allowed to be used as pawns in educational experimentation, an understandable desire to protect the educational experience and assure the adequate progress of the students may result in including the imposition of heavy penalties in the contract in case of pupil failure. This could result in inordinately expensive contracts, a paucity of bidders, or unconscionable pressures on the children. Legislation to assure children a maximum education under contracted conditions may be difficult to devise.

Certainly, performance contracting is going to force a reassessment of the roles and responsibility of all educational parties. What is the responsibility of the Board of Education to the parents when a private contractor is hired? From whom do the teachers take orders? Can the principal intervene when he believes a program to be educationally, emotionally, or physically injurious to the students? If teachers are the contracting organization, how much control are they to be given in the selection of educational materials? Can they be given the authority to select, hire, and fire their own members? Are they to be authorized to decide on distribution of resources, both physical and monetary?

Further, the attitude of professional teachers associations has not yet been fully determined. Albert Shanker gave an indication of what the position of the teachers union might be during an informal telephone conversation on August 10, 1970. He expressed serious misgivings for the following reasons:

1. It could mean a dismantling of the public school system as we know it.
2. A great deal of cheating could go on uncovered due to good public relations and politicking.
3. If an outside firm could achieve certain results, there is no reason why teachers and schools cannot do the same.

His first point deals not only with the roles of the personnel of the educational administrative structure, but also with the effects of performance contracts upon teacher tenure and certification. Performance contracts are written to include the attainment of certain specific goals. Teachers with demonstrated ability to produce results for a specific goal would be hired, perhaps at the expense of other qualities which may be desirable for proper pupil development in areas other than the specific goal.

Too, teachers who produce the most pupil progress may be rewarded for their efforts. Such a merit pay plan is inimical to the traditional salary scale in which salary level is based upon number of years of teaching. Furthermore, individualized instructional materials are often self-motivating, self-administered,and automated. The teacher's role in such individualized programs is much less important than in

traditional schools, and many of the duties of the teacher may be handled by noncertified personnel. Thus, the changed role of the teacher under performance contract provisions may cause a major reassessment of certification, tenure, and salary scales.

Shanker's second point is mirrored by Representative Edith Green, second-ranking member of the U. S. House of Representatives' Education Committee. She was quoted on August 6, 1970 as follows: "The industrial-education-poverty complex is as dangerous as the military-industrial complex." She would immediately halt all contracts for the education of the disadvantaged which have been awarded private firms because, in her opinion, the firms are far more interested in profit than in the good of the children. However, it is hoped that private firms would be guided by regulations and procedures stipulated by the schools in any contract. Administrators and boards of education should develop guidelines to prevent the drawing of contracts which waste money and pupil time or are deleterious to student welfare.

Finally, Shanker pointed out that teachers may be able to achieve results equal to those of a private firm. However, data are not available which compare the efficacy of private-- as opposed to teacher-- contracted operation. New York State school districts apparently cannot easily support such a study under present State law. The alternatives to enabling legislation are the State Education Department's support of performance contract projects or to wait until experimental contracts in other states have yielded definable results.

PROS AND CONS

Only one performance contract has been in operation for a complete school year, thus limiting the opportunity for making a value judgment about the worth of adopting that procedure in New York State. Therefore, evaluation of performance contracting must be made primarily on theoretical grounds. What are the possible benefits of inviting commercial interests into a partnership with public education? The reason most often stated for entering into a performance contract is that a commercial enterprise would not be bound by educational traditions. The commercial organization would act as a new broom--sweeping away outmoded methods and materials of instruction, substituting new methods and materials. The new procedures would be developed from twentieth century technology and focused upon training children who must live in the twenty-first century.

Another pervasive argument implies the need to incorporate the management skills of the business community in running an efficient operation in the schools. Efficiency is described in two ways. The first is the reduction of lost motion or time. Learning would be speeded, especially that of those children who can be described as below the norm. Children under the new regimes would be allowed to progress at their own rates. This would free the more able child from the restraints of staying with his peers. The slow child would progress faster because he would learn each sequential step rather than feel the frustration of attending classes whose subject matter is beyond his comprehension.

The second facet of efficient operation is the saving of money. Proponents of performance contracting feel education is insulated from the stimulus of the profit motive. Cheaper ways of operation (in terms of program, methods, and materials) would be sought by commercial firms in order to increase their profits. Also, since the most efficient operator

would present the lowest bids and be awarded contracts over his more expensive rivals, all companies would continually search for more efficient ways of operation. The result would be a reduction of tax load.

The addition of "default" clauses, which reduce profits in relation to the number of pupil failures, would also tend to assure that the slower learner would not be forgotten. Conversely, the inclusion of "incentive" or "bonus" clauses, which award additional funds for faster than expected pupil progress, would tend to insure that every pupil would be urged to learn to the limit of his potential.

Because payment would hinge upon reaching specified goals, educators and commercial firms alike would be forced to a new precision in the definition and sequencing of educational goals and objectives. Such goal-definition would necessitate a careful study of curricular content. The net result could be an upgrading of content and an altered order of learning experiences. A more precise definition of goals would also allow pupil progress to be reported in terms of goals reached, rather than letter or percent grades of some vague general area of learning.

Finally, payment would also depend upon proof of pupil progress. Testing would thus become a necessary part of each contract. Such evaluation should be carried out by an unbiased third party. This would lay the groundwork for evaluation of the total educational program of the particular school and could be transferred to any district.

In contrast to the arguments fostering performance contracting in the State are the arguments against it. For example, the business sector is not often cited for its altruism. Indeed, the opposite is more often the case. The fear is expressed that the child would be viewed by those employed by the

commercial systems as merely manipulatable objects. Human and humane considerations may be looked upon as secondary to financial gain. Because contracts will most often be tied to earned proficiency in academic achievement; social, psychological, personality,and citizenship factors may be at best ignored, or at worst, sacrificed.

Then, too, as earnings would be in relation to achievement gains, it would be natural to try to secure as much progress as possible. All varieties of harmful persuasion could be applied.

In an understandable desire to reduce overhead costs, the contractor might hire unqualified personnel. Thus, though he may fail to live up to his contract and therefore lose money, he may, at the same time, have accomplished less with the children than a traditional program could have accomplished.

Other doubts revolve around a lack of trust in the goals of the commercial contractor. Educators will have to be alert to misrepresentations, ambiguous clauses or evasions of responsibility in contract wording. They must somehow determine if the contractor is only interested in selling machines, gimmickry, or materials.

While admitting that a legitimate profit must be allowed the contracting firm, care must be taken to assure that the school district is receiving its money's worth. Nor should the cost of a contract exceed existing normal costs, or at least not more than the public is willing to pay for possible added gains. Many contracts proposed for the 1970-71 school year contain costs in addition to the regular budget. These costs are allayed through federal aid. When the contract terminates and federal funds are no longer available, the school district must be prepared to assume the added cost.

Much emphasis has been placed upon the proposed use of programmed or automated instruction by commercial interests. A great range in sophistication exists among automated learning programs and hardware. Performance contracting may encourage school districts to look only at the output of a contract and ignore the procedures by which the contractor obtains the output, resulting in losses in objectives not used as criteria in the contract.

Teacher organizations have not taken a position on performance contracting to date.* If teachers are replaced by machines or teacher aides under performance contracts or if teacher tenure and salary are negatively affected, performance contracting may become a source of contention between boards of education and teacher organizations.

Under present state law, school districts apparently cannot enter into a performance contract with a commercial firm unless Federal moneys are the sole support of the contract. Enabling legislation would be needed before State and local moneys could be used by districts in this way. Performance contracting might provide one additional alternative to school districts in their attempts to provide a meaningful and effective education.

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*The American Federation of Teachers at their August convention overwhelmingly passed a resolution opposing performance contracting. Similar action was taken by the United Federation of Teachers of New York City in their delegate assembly meeting of October 7th. A resolution recommending opposition to performance contracting will be presented at the November meeting of the New York State Teachers Association. Though the National Education Association has so far taken no official position, one of its members when appearing before the Senate Appropriations Subcommittee on Departments of Labor and Health, Education and Welfare on August 5th of this year expressed unofficial (and not officially contradicted) opposition to performance contracting. Thus, opposition to performance contracting by teacher organizations has started to solidify and appears to be forming into a common front.

Appendix A

SUPPORTING QUOTATIONS

The following provides additional information concerning the comments cited on page 1:

Leon M. Lessinger, former associate commissioner for elementary and secondary education at USOE, now Professor of Urban Education at Georgia State University, in a presentation at the Institute on Independent Educational Accomplishment Auditing, November, 1969, stated:

> ...widespread disillusionment with the results of American Education has generated intense and even desperate efforts at school reform....
>
> Our schools must assume a revised commitment--that every child shall learn. Such a commitment includes the willingness to change a system which does not work, and find one which does; to seek causes of failure in the system and its personnel instead of focusing solely on students; in short, to hold the school accountable for results in terms of student learning rather than solely in the use of resources.[1]

Exactly two months later, the same idea was reframed more specifically by Daniel P. Moynihan, Counselor to the President:

> For generations Americans were taught that the best measures of how a school would perform were <u>inputs</u> such as teachers' salaries or class size. It is now definitely established that this is not so. The relationship between such inputs and educational achievement is weak and uncertain, even erratic.
>
> Therefore, do what Coleman did: measure outputs. If educational achievement, defined as reading scores or whatever, is the desired output, measure that. Moreover, measure it in such a way that the public can have some idea of what it is getting for its money, how its children are doing compared to other children, and so forth.[2]

Although the concept of accountability in education is not new,[3] these statements and the call for accounting from parents and legislators have resulted in a new push in education; as Don Davies predicted in December, 1969, "Accountability will soon replace relevance as the 'in' word among educators."[4]

President Nixon's remarks on the subject may not have been unexpected; in his January, 1970, nationally televised veto of the $19.7-billion education and labor appropriation bill, he stated that he would propose "a new and searching look at our American school system" because, in terms of the money and efforts being put into education in the United States, "we're entitled to get more out in terms of better quality education."[5]

The President brought his ideas to focus in his Special Message to Congress on Educational Reform. "We must stop congratulating ourselves for spending nearly as much money on education as does the entire rest of the world — $65 billion a year on all levels — when we are not getting as much as we should out of the dollars we spend."[6] From this point in the March 3, 1970 message, it is only a short step to the following:

> ...we derive another new concept: accountability. School administrators and school teachers alike are responsible for their performance, and it is in their interest as well as in the interests of their pupils that they be held accountable. Success should be measured...by the results achieved in relationship to the actual situation of the particular school and the particular set of pupils.[7]

Mr. Nixon reiterated the central thesis of the "Coleman report" the Equal Educational Opportunity Survey of 1966 published by James Coleman of John Hopkins University when he said that the input side of education--more money for better pupil-teacher ratios, better buildings, better equipment--may not make any substantial difference in "the actual amount of learning that takes place in a school."[8] Accordingly, as with Dr. Coleman, accountability in terms of performance has come to the fore; Dr. Davies' prediction has been realized.

Appendix B

THE TEXARKANA PROGRAM

I. Specifics of the Texarkana Program

In February of 1970, at the direction of the Commissioner and due to Department interest in the Texarkana project, staff members of the Division of Evaluation made field visits to the performance contractors' offices, the school systems themselves, and the state and federal education departments concerned. The visits were followed by a seminar in the Department in July of 1970 and a regional meeting at the State University at New Paltz where the Texarkana School System Project Director (and former principal), Mr. Martin Filogamo, explained the project, its problems, and results in detail. Mr. Filogamo also met with interested Department staff members on an individual basis. On both occasions, i.e., the Department visit and the July seminar, the question of instructional contamination was raised since many rumors and written allegations to that effect had appeared. Through examination of programs being written in the office of the Dorsett Company and selection at random of those used by students in the Texarkana project, it was determined by the Department evaluators that a number of programs taught for the skills measured by the evaluation instrument, the Iowa Test of Basic Skills, but at that time did not teach test material itself. As an illustration, it was brought out that the Iowa Tests of Basic Skills required a knowledge of the Roman numeral system in one or more of the test items, and the contractor included this as an instructional unit.

However, when the issue of teaching to the test was raised again in the Department at the July 8th meeting with the School System Director of the project, he indicated that in April several programs had been discovered which did indeed physically incorporate several

test items into the instructional material; an examination was at that time underway to estimate the extent to which this contaminated results of the project. In order to control for this, the current contract calls for a performance bond to be provided by the contractor which will insure that instructional materials do not include actual test items.*

The Texarkana instructional program involved a total of 400 pupils including those in the second cycling of the program in the Spring 1970 semester. It is important to note that of these students, all identified as potential dropouts, only three did indeed terminate their schooling during the period of the instructional program.

Also,at the July 8th session the Project Director was queried by the Assistant Commissioner for Instructional Services as to whether or not the Texarkana program could be operated by the school districts. It was the Project Director's response that it indeed could have been, and he confirmed the Assistant Commissioner's comment that it had not been done because school systems had sat around on their "instructional traditions" for a number of years.

II. Objectives of a Project and Terms of Contract

A. Phase I

The Texarkana Project, a five-year program comprised of four phases had, as its paramount objective, the removal of "educational deficiencies of potential dropouts in grades seven through twelve."[9] The first year was to be directed toward 200 students (although 400 were reached during 1969-70) with the following characteristics:[10]

*The Dorsett Company is reported not to be competing for the Phase II, second year Texarkana contract.

1. 2-3 grade levels behind highest achievers in Texarkana in all areas
2. highly deficient in math and reading
3. average or above average intelligence
4. highly deficient in work-study skills
5. highly deficient in communication skills
6. low in motivation/job aspiration
7. failing math or English
8. from low-income family
9. from poorly-educated family
10. achieving below potential

B. Phase II

The second year is to extend the instructional program in reading and math to include students from kindergarten through grade six.[11]

C. Phases III and IV

These return the operation to the school district.[10]

III. Contract Essentials

a. to organize and operate the instructional component of the first phase of the Texarkana Dropout Prevention Program.
b. to provide instruction in basic reading, math and study skills to a minimum of 200 students ....
c. to hire and train local personnel ... as paraprofessionals in the operation of the instructional program.
d. to utilize at least 20 teachers and administrators from the participating school systems who will work part-time in the instructional program and will facilitate the contemplated transfer of the Dorsett material to the Texarkana Rapid Learning Centers. Their first hand knowledge of the nature and extent of academic problems unique to the Texarkana schools will be useful to the contractor.
e. to operate centers at locations mutually agreeable to the parties.[12]

The other essentials of the contract can be summarized; a base payment of $80 per student per grade level increase in math or reading in no more than 80 hours of instruction was stipulated. If the increase was achieved sooner, a bonus was to be awarded; accordingly, if a child

failed to reach the specified grade level in the designated time, the company was to suffer penalties. There was to be no payment if it took 160 hours to do the job. Students were to receive a training program for up to three hours per day in a portion of the school plant and were to remain in the total school program to receive other school benefits.

IV. Negative Aspect of the Contract

Research reveals an area wherein the Dorsett Contract was weak; the letter of intent which preceded the contract included a "clause specifying that students could be retested some six months after 'graduation' from the RLC's (Rapid Learning Centers) to determine whether retention rates were equal to those of the average student within the system." This clause was deleted upon the recommendation of USOE contract officials[13] and as a result, there is no sound way to determine whether or not results are lasting.

V. Evaluation

It was not until January, 1970, that the Magnolia (Arkansas) Education Center was contracted to perform the "internal evaluation" using funds from Title III, USOE.

> On February 2, 51 students were post-tested with the Iowa Tests of Educational Achievement (which the schools had used in pre-testing) to determine extent of progress. Results indicated that in a total of 89 hours of instruction, the average student had achieved an increase of .99 grade levels in math and 1.50 in reading ....
>
> A second post-test ... was conducted on March 2. Results indicated that in a total of 120 hours, equally distributed between reading and math instruction, students were achieving, on the average, 2.2 grade-level increases in reading and 1.4 in math ....

> It was somewhat surprising to note that as 32 percent of the pupils had made no progress - had even slipped back by from .1 to between three and four grade levels in one or another subject.[14]

This phenomenon was explained:

> ...several of the poorest performers were not members of the original target population but were less than a grade level behind to begin with. Then there is testing error, both pretest and posttest....the unexpected unreliability of Form I and the Iowa tests (admitted by Houghton Mifflin, the publisher, who pleads that the tests were never intended to determine whether a contractor is paid for instruction).[15]

Various other figures are mentioned in the many articles now appearing concerning Texarkana, but no official figures on academic evaluation or cost effectiveness are available.[16]

VI. Implementation of Program

A. Personnel

A number of local teachers and administrators were hired by Dorsett as "expert consultants"; it was intended that this would facilitate adoption of the RLC (Rapid Learning Centers) instructional system during the time when the districts assumed the administration of the program. Although the Arkansas State Department of Education suspended certification and various requirements "in the interest of promoting Texarkana's innovations," Dorsett hired only certifiable people as teachers, "most of them applicants who had not gotten jobs in the city before."[17]

The role of the teacher is altogether different from the traditional role in the classroom; more or less an "instructional manager",*

*If Dorsett's "learning managers," as the teachers are called, and "associate managers" produce "high achievement among the children in their charge, they will be rewarded with stock and stock options in Dorsett's company." Dorsett's director in Texarkana revealed that at the end of the project "some kind of efficiency formula will be applied for making differential awards." The counterpart of bonuses for teachers in regular school systems is merit pay.[17]

he programs each individual's assignment, helps with difficulties and acts as a guide to the students who work individually.

B. Materials

Materials used in the Texarkana program were not solely developed by Dorsett; in Rapid Learning Centers* (mobile classrooms designed to look as unlike classrooms as possible), the instructional materials consist of:

1. programmed reading and math materials presented largely (about 90 percent) through AVTM-86, a $200 filmstrip and record teaching machine
2. Science Research Associates reading labs
3. Job Corps reading programs and math material
4. Grolier reading labs, McGraw-Hill, and Behavioral Research Labs materials[18]
5. booklets and processed papers in place of regular textbooks.[19]

C. Selection of Students

Students were generally selected on the basis of grade-level deficiencies but because of the large number of volunteers:

1. a third of the target population was chosen from the volunteer groups (so long as they were two grade levels behind),
2. a third was selected by teachers and counselors (many of these students were more than two grade levels behind and came from deprived homes), and
3. the remainder were selected on a random basis if they met the entry criterion of a two grade level deficiency

Children with I.Q.'s lower than 70 (one system) or 75 (the other) were not to be admitted, but upon request of counselors some were.[20]

VII. Learning Program

Students worked individually at their own rates. When they came into the RLC, they picked up their material (planned by the instructional manager),

* RLC was the term selected to replace "dropout prevention" to avoid any stigma attached to participation in the program.

obtained their records and films (or other supplies), and went to their stations. If they made an error, it was signalled by the machine so that it was known only to the individual students.

VIII. Reward System

There was an incentive system built into the process. It was thought that until children enjoyed achieving for its own sake, material rewards would provide motivation. Green stamps, transistor radios, a portable television set for the youngster who made the greatest advance in grade levels were only some of the rewards. Games, puzzles, popular magazines and free time to "rap" with friends were part of the "RLC philosophy of motivation."

When a child finished his day's assignment successfully, he could utilize his spare time in any way he liked. Often a teacher or para-professional would play checkers or chess with a student, a practice that may have brought "students and teachers into personal contact for greater lengths of time than traditional group instruction permits."21

Appendix C

OTHER CONTRACT EXPERIMENTS

I. In Portland, Oregon, the Martin Luther King Junior High, rewarding teachers on the basis of students' performance, will have teams of teachers using Open Court* guaranteed achievement curriculum materials and competing with each other in reading programs. "Teachers who participate are given stipends of $1,000, with additional bonuses for the most successful teams. Bonuses will be used by teachers to pay teacher aides and purchase supplementary materials."[22]

II. The Ossining, New York program was designed by Frank Crawford, elementary supervisor, who conducted a nine-week pilot project beginning April, 1970. The school is using the standard Clymer-Barrett prereading test which evaluates fundamental reading skills.[23]

III. The Washington, D.C., plan to upgrade the schools in that city "opposes performance contracting to outside groups as an abdication of responsibility for educational leadership." The plan states: "The educational system, whose personnel are entrusted with that responsibility, should make and fulfill its own contract to the children whom it serves."[24] Metropolitan Applied Research Center of New York, devised a program for Washington upon request from the Board of Education. Funds for the project were provided mainly by universities and foundations.[25]

IV. The first effort of a school district to apply ESEA Title III funds to a performance contract was curtailed when USOE announced there wasn't enough ESEA Title III money left in the fiscal 1970 budget. San Diego City schools had announced that beginning in

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*See below, IX.

the fall of 1970, Educational Development Laboratories would begin a guaranteed reading program for 9,600 elementary students reading below grade level. The cost would have been $1.4 million over a three-year period. The school system also hoped to contract on a nonperformance basis with Science Research Associates for teaching 6,000 students in reading, language concepts, and arithmetic. As of this writing the San Diego project is still without funds.[26]

V. The Dallas Independent School District proposal for ESEA Title VIII funds for performance contracting will focus on math, reading and communications, achievement motivation, and occupational training. Teachers are allowed to compete with contractors. Funds are set aside for mini-grants for teachers to develop performance contract projects. The first year target population is grades 9-12, and since many potential dropouts are Mexican-Americans, bilingual materials are being used.[27] Both San Diego and Dallas were assisted in the development of their programs by the Great Cities Research Council.

VI. The Division of Plans and Supplementary Centers Bureau, U.S. Office of Education, has been actively implementing the concepts involved in accountability under ESEA VII, Bilingual Education and ESEA VIII, Dropout Prevention since January of 1969. "In a very elementary sense, all the grants under which "these programs" are operating are performance contracts, since these are grants which require local educational agencies to accomplish what they say they are going to accomplish during a specified period of time.[28]

VII. The Office of Economic Opportunity announced on July 14, 1970 that it would undertake a performance contracting experiment involving $6.5 million dollars, 28,000 disadvantaged students, 16 states, and 21 school districts.

Six contractors were picked from at least 30 applicants. They are: Westinghouse Learning Corporation and Alpha Learning Systems of Albequerque, N.M.; Quality Educational Development in Washington, D.C.; Singer/Graflex, Inc. in Rochester, N.Y.; Learning Foundations, Inc. in Athens, Ga. (operating the Bronx, District 9 program where $341,796 of federal funds will be applied to a test stressing teaching machines for 600 children in grades one and three and seven and nine);[29] and Plan Education Centers in Little Rock, Ark.[30] (See chart on page 36.)

VIII. As of April, Detroit awaited approval of plans submitted to USOE under Title VIII. The target population, if the funds are approved, will be five inner-city junior highs with initial concentration on the ninth grade. Math, reading, and achievement motivation components are planned. A low operating cost curriculum which can be expanded during later phases throughout schools in one district is a primary concern.[31]

IX. School districts are not the only interested parties where accountability is concerned. Open Court Publishing Company has announced a plan for selling a "performance guarantee" for first grade and first through sixth grade remedial programs. School systems will be charged according to the effectiveness of the materials. The schools will measure achievement by their choice of standardized tests.[32]

X. EDL (Educational Development Laboratories) have been in operation in New York State for more than a year, and were visited by members of the Department in June, 1970. Although this company has not been and does not expect to be involved in school management, it does provide teacher training, does assemble instructional resources, and does intensive project monitoring. EDL/McGraw-Hill, as stated above, guarantees a grade level increase every nine months of instruction, but uses school faculty and facilities under principal's supervision.

Appendix D

LEGAL DETAILS AND CITATIONS OF PERFORMANCE CONTRACTING FOR INSTRUCTION

I. It is the opinion of the Counsel to the State Education Department that boards of education do not presently have general authority to enter into agreements with third parties to provide instructional services in the public schools.

Boards are authorized to hire teachers to teach. The use of outside contractors is ultra vires (beyond the powers of school districts) unless specifically authorized by statute.

Exceptions to this rule are:

1. contracts with other school districts (Education Law, article 41, part II and General Municipal Law, art. 5-G)
2. arrangements with B.O.C.E.S. (Education Law, §1958)
3. contracts with other school districts, B.O.C.E.S. or private schools for programs for children with handicapped conditions (Education Law, §4404)
4. contracts between the Board of Education of the City School District of the City of New York and City University (Education Law, §2590-k)
5. contracts with driver schools for behind the wheel instruction (Vehicle and Traffic Law, §501)

Appendix E

MODEL SPECIFICATIONS FOR PERFORMANCE CONTRACTING

In a report for Nation's Schools,[33] Leon Lessinger provided a model request for performance that demonstrates the type of considerations that might go into a performance contract when it is to be carried out by an outside agency.

I. General

Educational service to be provided: You are invited to submit a proposal to provide educational services to remove math, reading and other directly related educational deficiencies of potential dropouts at the secondary school level.

Payment: A fixed fee contract with incentives for successfully providing student achievement in math, reading, and related skills in the most effective and efficient manner will be granted to the successful bidder. The contractor will be paid on the basis of successful student achievement of prenegotiated standards of performance.

II. Population to be served

The population will be students designated by the local school district as potential dropouts due to specified educational deficiencies.

III. Education process to be used

A general description of the process is detailed here, e.g.

students will be released from normal school classroom time for three hours per day to participate in the program as described with free access to the regular school program.

IV. Standards of performance

For math and reading, pretests and posttests will be utilized as the basis for determining student achievement. Preferred test to be utilized will be a designated test of educational development. The contractor may wish to propose another testing instrument or combination (e.g. at different grade levels) in which case a rationale and justification for doing so should be made. If the designated test is used, or if another test or combination is proposed, the proposal should indicate which subcomponents of the tests (e.g. reading, math, study skills) constitutes the "reading" and "math" on which achievement will be based.

V. Methods of cost reimbursement

To achieve the overall objectives, incentives will be allowed for the contractor to assist the student to achieve designated performance levels in the most efficient manner. In proposing the method of reimbursement, the contractor might want to consider one or a combination of these methods:

- An all or nothing fixed fee on a grade level achievement basis in math and/or reading per maximum hours of instruction (e.g. one grade level in math and reading for $250 in not more than 200 instructional hours. If the student does not achieve at the prescribed levels, then the contractor is not reimbursed).

•Fixed fee based on a grade level achievement basis in math and reading per maximum hours of instruction or achievement normalized to the maximum hours of instruction with penalty clauses (e.g. if the student achieves only 0.8 grade level increase in 120 hours, when 100 hours is the maximum stipulated time, then with a penalty clause of 60 percent between .5 and .7 grade levels of achievement, the contractor would be paid 40 percent of the stipulated fee).

•Fixed fee basis per "cluster" of study skills with maximum hours not more than one third of total hours of instruction in math or reading. Behavioral objectives, and pretests and posttests to be used will be stated explicitly.

The bidder may choose to propose an approach other than those above. Such approaches will not be considered when submitted alone, but are encouraged when submitted as supplemental to the basic response to this request for proposal.

VI. Other Provisions

The contractor will agree to the following specific provisions or stipulate reasons to the contrary and provide descriptive information as described below:

To hire and train local personnel, most of whom are to be used as paraprofessionals. Minimal qualifications will be stipulated for each job slot which would be filled by same. At least 50 percent of personnel involved in the instructional program will be local; approval must be given by the school

board on the personnel recommendations of an executive committee (to be specified).

•To utilize teachers and administrators (in a number specified) from the participating school chosen by the executive committee as "consultants" who will work part-time and will be involved in overall design, curriculum redesign and modification, instructional systems development, instruction evaluation, and other areas in which their firsthand knowledge of the nature and extent of academic problems unique to the schools will be useful to the contractor. The contractor will be reimbursed for the cost of hiring these consultants. Specific areas in which these local consultants could be used part-time must be stipulated by the bidder.

•To submit a list and specifications of all nonexpendable equipment, materials as well as consumable instructional materials which will be used. Suggested equipment, sales representatives, and adresses should be made available; equipment available through "surplus programs" should be noted. All equipment marketed by the contractor should be noted and if some equipment amounts to over 50 percent of total equipment and materials costs, then suggested lease-purchase arrangements should be explained in detail. Estimated delivery dates for both initiation and expansion of program should be noted.

VII. Detail of Bidder Proposal

The proposal to be submitted to the fiscal agent of the school should include the above conditions and provisions, performance requirements, and other information related to the above in the following format:

(a) statement of the problem
(b) approach taken
(c) schedule of performance
(d) subcontracting
(e) copyrights and patents
(f) personnel to be used
(g) costs and pricing
(h) equipment costs and specs.

The contractor will also submit a proposed space requirement per optimal student body size (e.g. 30 students per "classroom"). Also included will be refurbishing costs estimates of an existing facility.

Performance Criteria

The following items represent some examples of performance criteria for which incentive payments might be productive:

1. "An amount of $____per student to the school for achievement on a General Educational Development Equivalency Test (GED) demonstrating that the agreed-upon students have completed all five subtests (such tests to be administered by a certified administrator) and have received a standard score of not less than 40 on any one subtest or achieved an average of 45 on all five subtests.

2. "An amount of $____per school for each student who successfully passes such achievement tests as shall be developed and/or agreed upon jointly by all parties to the contract prior to and after signing (present success criterion of most instructional contracts, i.e., Texarkana).

3. "An amount of $____per school for each student who demonstrates no antisocial activities, such activities being defined as those

that would/should result in a written report on them within the administrative and management criteria presently in existence. No corporal, physical, or mechanical constraints shall be used in efforts to eliminate the antisocial behaviors. (School program to improve noncognitive learning).

4. "An amount of $____per school for each student who achieves a high school diploma, to be defined as a verification that 16 credits have been attained in the following areas with proportional allocations: English, 3 credits; social studies, 2 credits; mathematics, 1 credit; science, 1 credit: electives, 9 credits. A credit is defined as 72 hours of successful classroom study. State Aid by unit achievement.

5. "An amount of $____per school for each student who enters and participates in VISTA and/or the Peace Corps, such entry in those programs to take place within N months of his departure from the school.

6. "An amount of $____per school for each student who is a registered student and in attendance, within six months of his departure from the institution, at a certified, accredited college, university, or junior college. (Store front -- college preparatory center.)

7. "An amount of $____per school for each student (first year only) per calendar month who is gainfully employed after departure of the institution, such employment to have been continuous with the employer of record, at the completion of 12 calendar months, for at least N months. (Occupational program -- or private trade school.)[34]

Appendix F

FINANCIAL DETAIL

Although in many areas the implications of performance contracting are nebulous at this time, there are four areas that may be directly affected:

1. Hardware — Since most of the companies involved in contracting utilize teaching machines, audio-visual and programmed learning materials, this would necessitate districts' acquiring these materials if they were interested in conducting their own programs. This may mean a return to the initial years of Title III, National Defense Education Act, when schools were buying large amounts of audio-visual and other hardware, which were underutilized.
2. Teaching Staff— In the Texarkana Project it was felt necessary to use both professionals and paraprofessionals. This practice would require varying salary scales. Also in Texarkana, instructors were compensated with bonuses in various forms; the whole question of merit pay, the teacher's bonus, may come before districts involved in administering their own programs, i.e., incorporating the instructional patterns and rewards systems of contract teaching into their own programs.
3. Teacher Negotiations—Use of union and noncertified people in instructional aspects of school systems are areas that may demand some concern in deciding whether or not to implement performance contracting in a given district.
4. Continuity — The Office of Economic Opportunity Project, mentioned earlier, has a total funding of $6.5 million for one year. The following chart provides the various payments of 18 of the school districts involved. The three remaining districts in the program

are to be used as controls and are yet to be named. With the advent of such projects the question of continuity naturally arises. A district provided with any federal support may initiate a three-or four-year program, and later be informed that support has been reduced or terminated. If the district is not prepared to assume the costs, the potential effects on the students and the district may be more damaging than if the project had never been undertaken.

OFFICE OF ECONOMIC OPPORTUNITY CONTRACTS

School District	Contract Value	Contractor
Portland, Maine	$ 308,184	Singer/Graflex Corporation
Rockland, Maine	299,211	Quality Education Development
Hartford, Connecticut	320,573	Alpha Systems, Incorporated
Philadelphia, Pennsylvania	296,291	Westinghouse Learning Corp.
McNairy County (Selmer,) Tennessee	286,991	Plan Education Centers, Inc.*
McComb, Mississippi	263,085	Singer/Graflex
Duval County (Jacksonville), Florida	342,300	Learning Foundations, Inc.
Dallas, Texas	299,417	QED
Taft, Texas	243,751	Alpha
Hammond, Indiana	342,528	Learning Foundations
Grand Rapids, Michigan	322,464	Alpha
Fresno, California	299,015	Westinghouse
Seattle, Washington	343,800	Singer/Graflex
New York (Bronx), New York	341,796	Learning Foundations
Clarke County (Athens), Georgia	301,770	Plan Education*
Las Vegas, Nevada	298,744	Westinghouse
Wichita, Kansas	294,700	Plan Education*
Anchorage, Alaska	444,632	QED
TOTAL	$5,649,252	

*Contract for one grade in reading achievement $77.50, one grade in mathematics achievement $96.00. Per letter Frank Carpenter, Executive Vice President, Plan Education Centers, Inc., August 7, 1970.

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